

**Testimony by
Jared Rodriguez
Vice President
Grand Rapids Area Chamber of Commerce
House Tax Policy Committee
November 7, 2007**

Mr. Chair, members of the committee; my name is Jared Rodriguez, Vice President of Public Policy and Government Affairs for the Grand Rapids Area Chamber of Commerce. I am here today representing nearly 3,000 Chamber member companies who provide over 150,000 jobs in West Michigan. I would like to express our opposition to the recently adopted use tax on services and offer comments on the importance of acting swiftly to repeal this job killing tax.

Everyone knows that we need to get our state back on track. Michigan has been uncompetitive in the national and global marketplace. We cannot afford to play Russian Roulette with our future and making midnight decisions, such as the services tax. This is a preposterous tax and will make Michigan even less economically competitive.

Right now, there is no certainty in determining what businesses are included in the services to be affected. This uncertainty does not create a positive business environment. The Michigan Department of Treasury has responded to several questions from our members trying to find out if their "luxury" business service, like sending out W-2 forms, is included in the new tax. What they have heard is that Treasury has had a hard time making the determination and is working to define the industries impacted. The message we have been conveying to our members is that if your industry is not specifically mentioned in the act, it does not mean that the intent is not there nor does it mean you will not be included in the future.

Confusion over the new tax is just the tip of the iceberg. For the affected businesses, this is a direct money grab out of the pockets of employers and employees, because payroll is typically the largest expense for many businesses. The services that stand to be taxed under the new law are those that nearly all businesses utilize. From payroll, mailing, and copying services, to landscaping, design and consulting services, this tax will increase the cost of doing business across the board, impacting all Michigan families.

The Grand Rapids Area Chamber of Commerce is hopeful that you and your colleagues will fully repeal the new services tax through legislation prior to the December 1 implementation date. If not, our Chamber is committed continuing our support of an effort to take the repeal question to the voters through a ballot initiative next November. Our members have sent a clear message to us that they would rather spend their valuable resources to repeal the tax than continue to pay much more in the future. We have hope

that those efforts will be halted due to a legislative fix, however.

Replacement revenue to balance the state's budget has been part of the Grand Rapids Chamber's discussion. In fact this week, our Chamber's Tax Committee met and voted to support a simple, TEMPORARY state income tax increase and/or a surcharge on the MBT to make up all or a portion of the difference of a full repeal of the services tax. While we appreciate a plan to repeal the services tax through cuts, the reality is that our members want this services tax gone now and are willing to work to modify portions of the MBT to help industries or sectors that will be adversely impacted by a surcharge.

In addition to revenues, we need the commitment of the legislature and Governor to focus on reforming state spending. Structural reforms that will allow for tax rollbacks in the near future. For example, these reductions and reforms include, but are not limited to:

- Medicaid Reform- prioritizing the procedures covered versus the people covered
- Reduce barriers and create incentives for the consolidation of Governments
- Reduce barriers and create incentives for the consolidation of School Districts
- Explore new ways to penalize "non-violent" criminals to avoid over crowding jail/prison populations

As you have already heard from previous testimony, the services tax will be devastating for both small and large businesses. Michigan can do better for its citizens, entrepreneurs and job providers.

The legislature's decision to extend the state sales tax to services is a step back for our beleaguered state. The message from our members has been clear: taxing services is not answer for Michigan. You can do better to position Michigan for the future and create a better environment and certainty for our job providers. After all, it is our members and small and large businesses like them throughout the state that are the engines of our economy. The services tax is stressing an already overworked engine.